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UNCLAS SECTION 01 OF 02 YEREVAN 000973

SIPDIS

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EMBASSIES ? PLEASE PASS FCS  
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SUBJECT: (IMI) ARMENIA, COMMERCIAL NEWS SUMMARY:  
MAY, 2005

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SUMMARY  
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[1](#)1. This cable summarizes press reporting on commercial developments in Armenia for May 2005. Major headlines include:

-- Germany to finance mortgage loan development program in Armenia;

-- "Dun and Bradstreet" takes share of Armenian credit bureau;

-- OPEC fund to invest in Armenia's private sector;

-- U.S. foundation acquires a bank in Armenia;

-- Draft law on venture capital ready for parliament's consideration; and

-- May 2005 economic highlights.

END SUMMARY.

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GERMANY TO FINANCE MORTGAGE LOAN DEVELOPMENT PROGRAM  
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[1](#)2. According to Armenia's Minister of Finance and Economy, Germany will give 7.5 million Euros to develop Armenia's mortgage loan market in 2005-2006. The program plans to provide mortgage loans with terms of 7-8 years at 10 percent annual interest. Currently mortgage loans terms are 3-5 years at 12-16 percent interest.

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U.S. COMPANY TAKES SHARE OF ARMENIAN CREDIT BUREAU  
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[1](#)3. The Armenian Credit Reporting Agency (ACRA) and U.S. Credit Risk Company, Dun and Bradstreet Corporation, have signed an agreement in Yerevan giving the latter a 5 percent share in ACRA. Dun and Bradstreet's Managing Director for Central Asia and the Middle East said that they plan to introduce modern technology to the Armenian company and give ACRA access to their global data network. Established in 2004 by the U.S.-based Credential Inc., ACRA is the first private credit bureau in Armenia. Germany's SCHUFA credit bureau is also a shareholder of ACRA.

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OPEC FUND TO INVEST IN ARMENIA'S PRIVATE SECTOR  
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[1](#)4. The Government of Armenia (GOAM) has signed two agreements with the OPEC Fund for International Development (the Fund). The Fund will provide a USD 5 million loan for a rural economic development project. The International Fund for Agricultural Development (IFAD) will administer the loan through its existing USD 15.3 million Economic Development of Rural Areas credit program, for a total program value of over USD 20 million. IFAD will give USD 10 million in loans to family enterprises and SMEs, USD 310,000 for the development of a network of organizations providing business services and USD 9.4 to

restore infrastructure.

15. In February 2005, the GOAM and the OPEC Fund signed an Investment Encouragement and Protection Agreement within the framework of Fund's Private Sector Facility Program. Through this program the Fund may finance private sector activities by lending or investing in equities or bonds. The agreement still needs to be approved by the Constitutional Court of Armenia.

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U.S. FOUNDATION BUYS COMMERCIAL BANK IN ARMENIA  
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16. U.S.-based Cafesjian Family Foundation acquired Emporiki Bank Armenia, a Greek-owned bank in Yerevan. The bank will be renamed Cascade Bank and will become a part of the Yerevan-based company, Cascade Capital Holdings, owned by Armenian-American businessman Gerard Cafesjian. The Cafesjian Family Foundation has several commercial projects in Armenia, and is active in media, financial services, renewable energy, and construction.

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DRAFT LAW OF VENTURE CAPITAL READY FOR PARLIAMENT  
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17. With the assistance of the Eurasia Foundation, the Corporate Governance Center introduced a concept for a venture capital system in Armenia, as well as a draft law on venture capital. The concept is based on an extensive study of the experience of many countries worldwide. According to the Managing Director of the Union of Armenian Banks, who participated in developing the concept, both the concept and draft law will be presented soon to the National Assembly for consideration.

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MAY 2005 ECONOMIC HIGHLIGHTS  
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18. According to the Armenian National Statistical Service, from January to April 2005 the country's real GDP grew by 8 percent to USD 763 million. Industrial production increased by 2.6 percent January-April 2005 to USD 413 million. Agricultural output grew 1.7 percent to USD 119 million. From January to April 2005, Armenia's foreign trade increased by 30.1 percent to USD 789.4 million. From January to April 2005, exports totalled USD 375.2 million, and imports USD 514.2, leaving a foreign trade deficit of USD 139 million. Inflation was 3.6 percent during the period of January to April 2005 compared to the same period last year.  
GODFREY